

OPENING STATEMENT OF
CONGRESSMAN PAUL E. KANJORSKI
COMMITTEE ON GOVERNMENT REFORM
THE POSTAL SERVICE IN CRISIS: A JOINT SENATE-HOUSE HEARING ON
PRINCIPLES FOR MEANINGFUL REFORM
MARCH 23, 2004

Thank you Chairman Davis and Ranking Member Waxman, I appreciate the opportunity to offer my views on the issue of postal reform, which is currently before the Committee.

As you know, the report of the President's Commission recommends creating a panel similar to the base realignment and closure commission for the purpose of realigning and closing postal distribution facilities. There are several reasons why I feel that some of the recommendations relating to consolidation could be detrimental not only to Northeastern Pennsylvania but also on other parts of the country.

First and foremost, I have concerns that the President's Commission recommendations would erode the United States Postal Service (USPS) delivery and universal service standards. For example, should the USPS decide to consolidate existing distribution facilities in Northeastern Pennsylvania, effective and efficient delivery to the outlying rural areas of the region will become significantly more challenging. Moreover, should the USPS move forward with a proposal to eventually consolidate all of the processing centers in the eastern part of Pennsylvania into a new facility in Philadelphia, maintaining current delivery standards would be more than a challenge – it would simply be impossible. Similar consolidation proposals around the country would likely have comparable effects on rural communities. My concern centers on the potential that the USPS would simply ease current standards in the event of substantial consolidation.

That is why I continue to hold serious reservations that altering the mail distribution process in Northeastern Pennsylvania will result in longer turnaround for mail distribution in our area. My concerns regarding this matter are focused not only on the effect that certain consolidation proposals would have on families in my district, but also on the negative economic impact that reduced delivery standards could have on businesses located in the region.

Economically distressed communities in less populous areas would most likely be disproportionately harmed by consolidation because businesses located in these regions would experience unnecessary delays in receiving their mail. The Committee must, in my view, carefully consider the economic impact of consolidation on communities facing financial difficulties. While major metropolitan areas will likely maintain existing postal processing facilities, economic development efforts in smaller communities could be significantly curtailed should USPS undertake a consolidation plan that ultimately results in a reduction in current delivery standards. Simply stated, businesses located in smaller communities that do not receive their mail in a timely manner will likely leave these communities, thereby exacerbating current economic disparities.

In fact, several businesses in my congressional district would be harmed should consolidation eliminate the mail processing facilities in Northeastern Pennsylvania. For instance, Sallie Mae has a servicing facility located in my congressional district, which employs nearly 700 people and has an annual mail volume of 27 million pieces and processes \$2.4 billion in student loan payments. Sallie Mae has an agreement with the Wilkes-Barre postal facility to receive its mail 365 days a year and receives mail by 3 a.m. daily. Sallie Mae has raised concerns about the possible closure of the Wilkes-Barre postal facility and the negative impact it would have on their ability to process payments. In addition, Sallie Mae has cited the proximity to the postal facilities as one of the reasons why they located their operations in Wilkes-Barre. This is just one of several businesses that would be negatively impacted by postal consolidation. I am concerned that if this postal facility is closed, businesses such as Sallie Mae will move out of the area and new businesses dependent on the mail will choose to locate in areas with postal facilities nearby. The Committee must, therefore, strive to ensure that delivery standards are maintained as we move forward with our consideration of postal reform matters.

In addition, by creating processing centers that handle mail for a larger area, these facilities will become more attractive targets for terrorist attacks. As you remember, in 2001, letters laced with anthrax were sent to the Senate, resulting in the death of two postal employees and the closure of the Brentwood Postal Facility. A similar shutdown in other major metropolitan areas, most notably in New York City, could have a rippling economic effect that would severely impact companies that rely on the USPS for the delivery of payments, such as the financial services industries and credit card companies.

As a result, when considering consolidation, I believe we must contemplate these possibilities and work to provide secondary facilities that are able to take on extra capacity if another processing center in a major metropolitan area is closed due to terrorist attack. The federal government, through the Securities and Exchange Commission, has encouraged the financial services industry to consider the establishment of back-up facilities outside of the electrical grids and watersheds that service major metropolitan areas. The USPS should consider a similar framework for its processing facilities network.

Our consideration of postal reform legislation should address the threat of terrorist attack on our mail system and should outline a solution to dealing with such an event. Failure to consider how the USPS would operate in the event of a major attack on a metropolitan area could have a devastating effect on our economy, particularly given the reliance of most financial services firms on business transactions conducted through postal mail.

Thank you for the opportunity to express my thought and I appreciate your consideration of my remarks.